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M E M O R A N D U M  
#01-07

**TO:** All Department and School Fiscal Officers

**FROM:** Clifford B. Edwards, Director  
Division of Accounting 

**DATE:** March 12, 2001

**SUBJECT:** Taxable Income On Commuting Use Of State Provided Vehicles

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IRS regulations require employers to notify all employees who commute to work in an employer provided vehicles of the method of valuation of this taxable fringe benefit to the employee.

The State uses the \$1.50 per-way (\$3.00/day) commuting use method and the cents-per-mile method (.345/mile). The State also uses the IRS "special accounting period" rule. This rule provides that the commuting done between November 1 through October 31 is to be used to report taxable income for the October 31 calendar year.

Commuting is the only "personal use" of State vehicles allowed, pursuant to the State Policies, Procedures, and Standards – Sections IIIA and IVA issued by the Office of Fleet Management. Section 7106, Title 29, Del. Code prohibits the personal use of State vehicles and provides fines for any violation.

All employees who use a State provided vehicle for commuting purposes more than 40 workdays a year must keep a record of the commuting use. All passengers commuting in a State vehicle are subject to all the same taxable income rules. Attached to this memo is the **Employee Commuting Valuation Computation** form. Please notify all your affected employees of these regulations and requirements by providing them a copy of this memo and the attached computation form.

Employees are required to report commuting use annually. Failure of an employee to do so will require you to automatically use the total workdays each month as the number of commuting days for the purposes of calculating the taxable income. Your agency or school district may elect to require more frequent reporting of commuting use. The data may be entered in the EIS **Employee Deduction Maintenance System (EDMS) Vehicle Usage Module** cyclically,

monthly, quarterly, or annually. If you have any questions regarding the Vehicle Usage Module, please contact the State Payroll Technician assigned to your agency.

Commuting use amounts entered in the Vehicle Usage Module increase Federal, State, Local (if applicable), *Pension*, OASDI, and Medicare wages for tax calculation purposes.

The taxability of commuting costs in State vehicles does not apply to:

1. Clearly marked police and fire vehicles
2. Unmarked law enforcement vehicles when used for authorized purposes and operated by a full-time law enforcement officer
3. Delivery trucks with seating only for the driver - or only for the driver plus a folding jump seat
4. Flatbed trucks
5. Cargo carrier with over a 14,000-pound capacity
6. School and passenger buses with over a 20-person capacity
7. Ambulances
8. Hearses
9. Bucket trucks
10. Cranes and derricks
11. Forklifts
12. Cement mixers
13. Dump trucks
14. Garbage trucks
15. Specialized utility repair trucks (except vans and pick-up trucks)
16. Tractors
17. Vehicles in a pooling program, approved by the Governor, where the entire cost of the vehicle is reimbursed by the employees

Pick-up trucks and vans generally are taxable unless specifically modified so that personal use is unlikely. For example, a van that has only a front bench for seating, its cargo area filled with permanent shelving and a painted insignia would meet the non-taxable test.

The \$3.00/day method does not apply to "control employees." A "control employee" is anyone earning in excess of \$155,000. These employees must use the **cents-per-mile** valuation rule. They must report to you their commuting mileage for the reporting period. Remember, non-control employees can use either the Vehicle Cents Per Mile, or the \$1.50 each way valuation method - whichever is less. Whichever method is chosen, it **MUST** be used for the entire year.

If you have any questions regarding this memo, please contact Debra Cormier in Central Payroll at (302) 744-1071.

**CY 2001 EMPLOYEE COMMUTING VALUATION COMPUTATION FORM**[illegible]